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ICC Files Comments With FCC Opposing "Missoula Plan"

Says Illinois consumers would be penalized

Any comprehensive overhaul of the current telecommunications intercarrier compensation system that does not include significant reform of federal Universal Service Fund (USF) programs is ill-advised, says the Illinois Commerce Commission in its formal comments filed with the Federal Communications Commission (FCC) yesterday.

These comments express the ICC's unanimous opposition to the Missoula Plan proposed to the FCC by some of the former Bell companies and many rural local incumbent exchange carriers (ILECs), and come on the heels of an industry-wide workshop the ICC hosted to discuss the proposal on Oct. 4. The controversial intercarrier compensation reform plan is being touted as a means to equalize intercarrier charges for the majority of connections.

The proposal seeks to add yet another layer of USF funding primarily in order to reduce long-distance and intra-state toll (sometimes called "local long-distance") rates. Not only is the proposed Missoula Plan not a real reform, it also further increases the flows of subsidies from Illinois consumers to other states. Illinois has been at the forefront of reducing rates long distance carriers pay local carriers and this proposed plan would penalize our efforts by subjecting Illinois consumers to even higher federal USF fees in order to fund such reductions in states that have been lagging behind in reducing charges that carriers pay each other. The ICC estimates that the proposed plan would lead to an almost 50 percent increase in Illinois' USF net contribution, from the current $128 million to almost $190 million per year.

In fairness, the Missoula Plan attempts to set up an additional subsidy system that would provide funding to states like Illinois that are further along the road of intercarrier compensation reform. However, the Plan is short on details of the workings of such subsidy and it is not clear how much, if any, Illinois telecom carriers would receive under that system. In fact, it is entirely possible that Illinois consumers will *pay almost as much into* this additional subsidy fund as the state is expected *to receive* from the newly created fund. But even if Illinois consumers overall were allowed to recover the full (estimated) $60 million increase in USF obligations, Illinois consumers will still incur costs in the form of price distortions resulting from the need to fund an increasingly inflated subsidy system.

The increased flow of subsidies from Illinois consumers to other states is not the ICC's sole criticism of the proposed plan. The Commission also is concerned with the fact that the plan is effectively a revenue preservation fund for ILECs. The new universal service obligations are not based on any carrier's cost, current or going forward. Rather, it preserves revenues at existing levels, regardless of whether those carriers' rates reflect costs and even regardless of whether costs decline (e.g., customers switching to wireless-only or Internet calling).

"The Missoula plan is inherently flawed, extremely complex and would ultimately penalize Illinois consumers," says ICC Commissioner Lula Ford.

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